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Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-10 ISO-00 EURE-00 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NEA-10 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

STR-04 XMB-02 L-03 OES-03 ERDA-05 ACDA-05 ERDE-00

PM-04 FEAE-00 DODE-00 PA-01 USIA-06 PRS-01 /109 W
---------- 031463
P R 281436Z OCT 75
FM USMISSION OECD PARIS
TO SECSTATE WASH DC PRIORITY 8963
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
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AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
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PASS TREAS FOR CANNER, EXIMBANK FOR MINIKES, COMMERCE
FOR LEE

E.O. 11652: N/A
TAGS: EFIN, ETRD, OECD
SUBJECT: GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES:
OCT. 22-24 MEETING

1. SUMMARY: US OBTAINED BROAD CONSENSUS THAT MEMBERS OF ECG EXCHANGE INFORMATION ON INTEREST RATE AND OTHER FINANCING COSTS ON TRIAL BASIS. EXPERTS WILL MEET DECEMBER 16 TO REVIEW EXPERIENCE WITH VOLUNTARY ARRANGEMENT AND AVAILABILITY OF INFORMATION, AFTER WHICH SECRETARIAT EXPECTED DRAFT PROPOSAL FOR FORMAL EXPANSION OF EXCHANGE OF INFORMATION SYSTEM TO INCLUDE THESE DATA. ECG AGREED TO JANUARY 27 AS TENTATIVE DATE FOR INTERIM MEETING TO POSSIBLY CONSIDER THIS ISSUE AND REPORT TO TRADE COMMITTEE. END SUMMARY

2. EFFORTS TO AVOID CREDIT RACE: BELGIAN DEL (MORLEGHEM) GAVE HIS VIEW THAT GENTLEMAN'S AGREEMENT DISCUSSIONS OVER PAST YEAR HAD SHOWN US,EC, AND JAPAN UNLIKELY TO REACH ACCORD ON SET OF WIDE RANGING COMPULSORY RULES IN EXPORT CREDIT FIELD. OUTLOOK WAS FOR ATTEMPT TO DEFINE GENERAL LINES OF ACTION FOR I-RATES, CREDIT LENGTHS, AND CONSULTATION. HE CONCLUDED THAT NEGOTIATIONS NEEDED TO BE MOVED TO HIGHER LEVEL.

3. LOCAL COST DECLARATIONS: IN RESPONSE TO US REQUEST WHETHER EC IN POSITION TO DETERMINE MANNER IN WHICH COMMUNITY WOULD IMPLEMENT LOCAL COSTS AGREEMENT (SO THAT ECG COULD MOVE FROM INFORMAL DECLARATION TO FORMAL AGREEMENT), COMMISSION REP (ARCHIBALD) SAID ISSUE WAS BEFORE EC COURT OF JUSTICE AND DECISION WAS EXPECTED IN ABOUT ONE MONTH.

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4. SECTOR UNDERSTANDINGS: CANADIAN DEL (PETRIE) MADE STRONG GENERAL STATEMENT ON NEED FOR INTEREST RATE CONSTRAINT IN SECTOR AGREEMENTS AND SAID GOC UNWILLING TO AGREED TO ANY UNDERSTANDINGS IN FUTURE WITHOUT SUCH CONSTRAINTS, ALTHOUGH HE DID NOT VOLUNTEER SPECIFIC INTEREST RATE PROPOSAL. ON SUBJECT SATELLITE GROUND STATIONS, SECRETARIAT SUGGESTED RAISING REQUIRED DOWNPAYMENT FROM 10 TO 15 PERCENT. EC SUPPORTED, BUT US

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AND JAPAN SAID THEY WERE SATISFIED WITH PRESENT STRUCTURE AND PROPOSAL WAS NOT ADOPTED.

5. NUCLEAR POWER STATIONS: US, FRANCE AND FRG DECLARED ADHERENCE TO PREVIOUS TERMS. US QUERIED FRG AND FRENCH TERMS ON SPANISH VADELLOS NUCLEAR COMPETITION AND ASKED SPECIFIC COMPARISON WITH PRE-STANDSTILL MATURITIES, RATES, FEES, PERCENTAGE COVER, LOCAL COST, INTEREST CAPITALIZATION. EUROPEANS REPLIED THAT STANDARD MATURITY POLICY WAS 10 YEARS FOR DC'S 12 YEARS FOR LDC'S, 15 PER CENT DOWN, EXCEPT TO MATCH US COMPETITION. THEV VOLUN-TEERED INFORMALLY THAT INTEREST WAS CAPITALIZED PER COMMON PRACTICE, WITH 15 PER CENT LOCAL COSTS, BUT EMPHASIZED THESE ASPECTS NOT COVERED BY STANDSTILL UNDER-STANDING.

6. AIRCRAFT: INFORMAL OCT. 22 MEETING ON AIRCRAFT WAS ATTENDED BY US, GERMANY, JAPAN, UK AND FRANCE. REGARD-ING POSSIBILITY THAT CESSNA CITATION BE DOWNGRADED FROM 7-YEAR TO 5-YEAR CATEGORY, US ARGUED FORCEFULLY THAT OVERRIDING ISSUE IN REACHING FULL SECTORAL AGREEMENT WAS

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PM-04 FEAE-00 DODE-00 PA-01 USIA-06 PRS-01 /109 W
---------- 031440
P R 281436Z OCT 75
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INFO AMEMBASSY ANKARA
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LEASING AND THAT RESOLUTION RECLASSIFICATION ISSUE WAS DEPENDENT ON INCLUDING LEASING ON SAME TERMS AS STRAIGHT SALES. JAPANESE RECALLED ALLEGED US COMMITMENT OCT. 1974 TO STUDY PROBLEM AND CLAIMED THERE WAS FREQUENT COMPETITION BETWEEN CESSNA AND THEIR MU-2 (5 YEAR CATEGORY) WHICH THEY WISH TO BE IN SAME CATEGORY AS CESSNA. FRG NOTED POSSIBILITY OF PARTIAL SECTORAL AGREEMENT ON 5 AND 7 YEAR AIRCRAFT IF CLASSIFICATION ISSUE RESOLVED BUT US OPPOSED SUCH PIECEMEAL SETTLEMENT. AFTER PROLONGED DISCUSSION, SECRETARIAT CALLED ON JAPANESE TO SEE IF THEY COULD ACCEPT 5-YEAR CATEGORY FOR MU-2 WITH PROVISION ALLOWING GOJ TO INCREASE MU-2 TERMS TO MATCH DEMONSTRATED COMPETITION. THIS DISCUSSION WAS REPEATED IN PLENARY NEXT DAY, AND US STATED THAT BASIC DISTINCTION BETWEEN PROPS AND JETS MUST BE OBSERVED. (SECRETARIAT TOLD US AFTERWARDS IT WAS RELIEVED BY US POSITION SINCE IT CONSIDERS CESSNA AND MU-2 PRESENTLY CLASSIFIED CORRECTLY ON BASIS ENGINE TYPE AND SIZE, AND THAT ANY

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BROADER RANGE CRITERIA WOULD ONLY LEAD TO REPEATED CLASSIFICATION DISPUTES). CONCERNING OTHER AIRCRAFT, FALCON/MYSTERE 30 HAS BECOME DEAD ISSUE AS IT IS NO LONGER PRODDCED' AUSTRALIANS ACCEPTED 5-YEAR CATEGORY FOR NOMAD. EUROPLANE IS OUT OF PRODUCTION, WHILE HS-146 UNCERTAIN. CANADIANS INDICATED THEY WOULD BE SEEKING TO PLACE DHC-7 IN CATEGORY A (10 YEARS) ON BASIS ITS "SPECIAL CHARACTERISTICS".

7. OTHER ISSUES WERE RAISED IN AIRCRAFT AREA BY UK, WHICH ASKED FOR DISTINCTION BETWEEN SHORT-TERM OPERATING AND LONG-TERM FULL PAYOUT LEASING. QUESTION ALSO AROSE OF TREATMENT WINGS, ENGINES, SPARES, AND OTHER RELATED EQUIPMENT AT TIME INITIAL CONTRACT OR AFTERWARDS, AND US POINTED OUT POTENTIAL LOOPHOLE IN MATURITY CONSTRAINTS POSED BY AID-MOTIVATED SALES OF AIRCRAFT.
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8. DRAFT REPORT ON ROLE AND TERMS OF EXPORT CREDITS BY DESTINATION (TC/ECG/75.17). IN VIEW LATE CIRCULATION THIS DOCUMENT, CHAIRMAN ASKED DELEGATIONS SEND IN COMMENTS TO SECRETARIAT BY NOVEMBER 15 AND EXPRESSED HOPE NO MAJOR SUBSTANTIVE ISSUES WOULD EMERGE REQUIRING RECLEARANCE ALL GOV'TS. IN RESPONSE TO FRENCH COMMENTS, IT WAS AGREED TO TONE DOWN REFERENCE IN PARA 17 TO GENERAL DETERIORATION OF TERMS AND TO CLARIFY REFERENCE IN PARA 2 TO PROPORTION OECD MEMBERS' EXPORTS SUPPORTED BY CREDITS TO EXCLUDE SHORT-TERM, NON-INTERVENTION CREDITS.

9. EXCHANGE OF INFORMATION SYSTEM: DISCUSSION OF THIS ISSUE BEGAN WITH US STATEMENT THAT SUCCESS OF EXIMBANK'S NEW POLICY OF MORE MARKET-ORIENTED INTEREST RATES, LOWER RATES WHERE NECESSARY TO MEET ACTUAL HEAD-TO-HEAD COMPETITION, DEPENDED ON US ABILITY TO BE AWARE OF OTHER COUNTRIES' FINANCING OFFERS IN INDIVIDUAL TRANSACTIONS. EXIM WANTED TO AVOID LOSING EXPORTS DUE TO CREDIT UNDERCUTTING, WHILE AT SAME TIME AVOIDING UNNECESSARY EXIM INTEREST RATE REDUCTIONS BELOW NORMAL RATE WHERE US COMPETITIVE. THIS REQUIRED AN EXPANSION OF THE EXCHANGE OF INFORMATION SYSTEM AMONG OECD MEMBERS TO INCLUDE DATA ON OVERALL FINANCING COSTS. CANADA AND SCANDINAVIANS SUPPORTED US.

10. ITALIAN DEL (SBARDELLA) SPEAKING FOR EC, OPPOSED PROPOSAL ON GROUNDS THAT, WHILE EC NOT NEGATIVE IN PRINCIPLE TO IDEA OF EXPANDING INFORMATION SYSTEM, CONSIDERATION SHOULD BE HELD IN ABEYANCE PENDING FURTHER GENTLEMEN'S AGREEMENT NEGOTIATIONS. SEVERAL DELEGATIONS,

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NOTABLY DUTCH, WERE CLEARLY CONCERNED ABOUT THEIR POS-
SIBLE INABILITY TO FURNISH CERTAIN INFORMATION, PARTI-
CULARLY PRIVATE SECTOR RATES, AND THAT IMPRECISE QUERIES
WOULD YIELD RESPONSES IN KIND. NEVERTHELESS, CHAIRMAN
(GEBERTH) HAMMERED HOME POINTS THAT NO DELEGATION WAS
OPPOSED IN PRINCIPLE TO EXAPANDED SYSTEM, THAT IMPROVED
SYSTEM WOULD BENEFIT ALL PARTIES, AND THAT NO INCOMPATI-
BILITY EXISTED BETWEEN SYSTEM AND GENTLEMEN'S AGREEMENT.

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11. FOLLOWING NEAR DEFECTIONS OF FRG AND DUTCH AND EC
CAUCUS, GROUP REACHED VIRTUALLY UNANIMOUS AGREEMENT ON
TRIAL EXCHANGE FINANCIAL COSTS DATA. JAPAN AND AUSTRALIA
RESERVED POSITION AD REFERENDUM, AND FRANCE OPPOSED FOR
RECORD BUT INDICATED WILLINGNESS TO COMPLY WHEREVER
POSSIBLE. EXCHANGE OF FINANCIAL COSTS INFORMATION IS
INFORMAL, WITHOUT BINDING OBLIGATION OR COMMITMENT AS
TO DURATION, AND WILL TAKE PLACE ON RECIPROCAL BASIS.
PARTICIPANTS AGREED TO PROVIDE TO BEST OF THEIR ABILITY

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AND KNOWLEDGE, INFO DESCRIBED IN OECD PARIS 27726,
ALTHOUGH ADDITIONAL DETAILS MAY BE QUERIED.

12. FOLLOW-UP: EXPERTS MEETING SCHEDULED DECEMBER 16
TO CONSIDER EXPERIENCE AND POSSIBLE REFINEMENTS, ON BASIS
OF WHICH SECRETARIAT WILL PREPARE PROPOSAL FOR FORMAL
EXPANSION OF SYSTEM FOR POSSIBLE ECG CONSIDERATION JANU-
ARY 27 (TOGETHER WITH CONSIDERATION OF REPORT TO TRADE
COMMITTEE IF WARRANTED).

13. PRIOR CONSULTATION PROCEDURE: THERE WAS NO CHANGE
IN POSITION OF CURRENT NON-PARTICIPANTS IN THIS PROCEDURE
AND NO PRESSURE WAS PUT ON THEM TO JOIN. PARTICIPANTS
AGREED TO ADOPT NEW SCHEDULE OF PRODUCT VALUE RANGES PER
PARA 13 OF SECRETARIAT PROPOSAL AND TO DENOMINATE IN

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SDR'S RATHER THAN DOLLARS. AT EC SUGGESTION LIST OF DESTINATION COUNTRIES SUBJECT TO PRIOR CONSULTATION WAS EXTENDED (EFFECTIVE DECEMBER 1) TO INCLUDE ANDORRA, SAUDI ARABIA, BERMUDA, VATICAN, UAE, FINLAND, ICELAND, KUWAIT, LIBYA, LIECHTENSTEIN, MONACO, NEW ZEALAND, QATAR AND SAN MARINA. PARTICIPANTS REJECTED PROPOSAL FOR EXCHANGE OF FINANCIAL COST INFORMATION UNDER PRIOR CONSULTATION PROCEDURE.

14. DESCRIPTIONS OF EXPORT CREDIT SYSTEMS: MEMBERS OF ECG EXCEPT FRANCE AGREED TO DERESTRICT (BUT NOT PUBLISH) DESCRIPTIONS OF THEIR OWN EXPORT CREDIT SYSTEMS AND TO REVIEW OWN DESCRIPTION AND SUBMIT UPDATED INFORMATION BY NOVEMBER 15.

15. PROGRESS REPORT TO TRADE COMMITTEE: ONLY OUTLINE WAS AVAILABLE AT MEETING: SECRETARIAT WILL PREPARE DRAFT FOR CIRCULATION.

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16. .
FUTURE MEETINGS: JAN. 27 WAS SET ASIDE FOR POSSIBLE INTERIM MEETING OF GROUP. NEXT FULL MEETING WILL BE MAY 12-13, AND TENTATIVE DATE FOR FALL MEETING IS OCTOBER 26-27.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, EXPORTS, COMMITTEE MEETINGS, MEETING PROCEEDINGS, EXPORT CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP27888
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750373-0738
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
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Line Count: 416
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by BoyleJA>; APPROVED <30 SEP 2003 by CunninFX>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES: OCT. 22-24 MEETING
TAGS: EFIN, ETRD, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006